

CITY OF IDA GROVE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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CITY OF IDA GROVE
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2008)		
Dennis Ernst	Mayor	January 2010
Bill Carnine	Council Member	January 2008
Paul Cates	Council Member	January 2008
Craig Rupert	Council Member	January 2008
Jim Weary	Council Member	January 2008
Paul Bargar	Council Member	January 2010
Cindy Murray	Clerk	Indefinite
Sheryl Wonder	Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite
(After January 2008)		
Dennis Ernst	Mayor	January 2010
Paul Bargar	Council Member	January 2010
Craig Rupert	Council Member	January 2010
Bill Carnine	Council Member	January 2012
Paul Cates	Council Member	January 2012
Robert Fineran	Council Member	January 2012
Edie Ball	Clerk	Indefinite
Sheryl Wonder	Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2009, on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 18 through 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Ida Grove, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the five year period ended June 30, 2007 (none of which are presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 12, 2009

Hunzelman, Putzier & Co.

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Primary Government</u>			<u>Component Unit</u>
					<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
Functions/Programs:								
Primary government:								
Governmental activities:								
Public safety	\$ 306,781	\$ -	\$ 21,873	\$ -	\$ (284,908)	\$ -	\$ (284,908)	\$ -
Public works	420,950	28,604	265,129	-	(127,217)	-	(127,217)	-
Health and social services	7,464	4,125	-	-	(3,339)	-	(3,339)	-
Culture and recreation	373,495	206,041	37,608	145,685	15,839	-	15,839	-
General government	213,503	22,839	9,258	-	(181,406)	-	(181,406)	-
Debt service	182,727	-	-	-	(182,727)	-	(182,727)	-
Capital projects	158,749	-	-	177,516	18,767	-	18,767	-
Total governmental activities:	<u>1,663,669</u>	<u>261,609</u>	<u>333,868</u>	<u>323,201</u>	<u>(744,991)</u>	<u>-</u>	<u>(744,991)</u>	<u>-</u>
Business type activities:								
Water	191,715	246,222	-	-	-	54,507	54,507	-
Sewer	160,293	156,334	18,953	-	-	14,994	14,994	-
Garbage	148,390	153,007	-	-	-	4,617	4,617	-
Utility deposits	3,783	4,682	-	-	-	899	899	-
Total business type activities	<u>504,181</u>	<u>560,245</u>	<u>18,953</u>	<u>-</u>	<u>-</u>	<u>75,017</u>	<u>75,017</u>	<u>-</u>
Total primary government	<u>\$ 2,167,850</u>	<u>\$ 821,854</u>	<u>\$ 352,821</u>	<u>\$ 323,201</u>	<u>(744,991)</u>	<u>75,017</u>	<u>(669,974)</u>	<u>-</u>
Component unit:								
Ida Grove Community Rec Center Endowment Trust	<u>\$ 3,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,930)</u>
General Receipts:								
Property tax levied for:								
General purposes					661,824	-	661,824	-
Tax increment financing					42,211	-	42,211	-
Utility excise replacement tax					40,136	-	40,136	-
Special assessments					1,298	-	1,298	-
Hotel-motel tax					27,497	-	27,497	-
Unrestricted interest on investments					56,681	-	56,681	12,083
Miscellaneous					14,997	-	14,997	-
Total general receipts					<u>844,644</u>	<u>-</u>	<u>844,644</u>	<u>12,083</u>

(Continued)

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A
(Continued)

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Primary Government</u>			<u>Component Unit</u>
					<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
Change in cash basis net assets					\$ 99,653	\$ 75,017	\$ 174,670	\$ 8,153
Cash basis net assets beginning of year					892,178	704,559	1,596,737	246,945
Cash basis net assets end of year					<u>\$ 991,831</u>	<u>\$ 779,576</u>	<u>\$1,771,407</u>	<u>\$ 255,098</u>
Cash Basis Net Assets								
Restricted:								
Streets					\$ 348,369	\$ -	\$ 348,369	\$ -
Tax increment purposes					261,784	-	261,784	-
Debt service					(29,498)	-	(29,498)	-
Other purposes					98,211	-	98,211	-
Ida Grove Community Rec Center					-	-	-	255,098
Unrestricted					312,965	779,576	1,092,541	-
Total cash basis net assets					<u>\$ 991,831</u>	<u>\$ 779,576</u>	<u>\$1,771,407</u>	<u>\$ 255,098</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

	<u>Special Revenue</u>						
	<u>Tax</u>						
	<u>General</u>	<u>Road Use</u>	<u>Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non Major</u>	<u>Total</u>
Receipts:							
Property tax	\$ 540,751	\$ -	\$ -	\$ 48,083	\$ -	\$ 72,990	\$ 661,824
Tax increment financing	-	-	42,211	-	-	-	42,211
Other city tax	60,345	-	-	2,848	-	4,440	67,633
Licenses and permits	7,979	-	-	-	-	-	7,979
Use of money and property	73,213	-	-	-	-	-	73,213
Intergovernmental	33,194	201,331	-	-	170,786	46,807	452,118
Charges for service	211,320	-	-	-	-	-	211,320
Special assessments	-	-	-	-	1,298	-	1,298
Miscellaneous	238,996	-	-	-	6,730	-	245,726
Total receipts	<u>1,165,798</u>	<u>201,331</u>	<u>42,211</u>	<u>50,931</u>	<u>178,814</u>	<u>124,237</u>	<u>1,763,322</u>
Disbursements:							
Operating:							
Public safety	305,951	-	-	-	-	830	306,781
Public works	220,699	167,601	-	-	-	32,650	420,950
Health and social services	7,464	-	-	-	-	-	7,464
Culture and recreation	367,256	-	-	-	-	6,239	373,495
General government	198,057	-	-	-	-	15,446	213,503
Debt service	-	-	-	182,727	-	-	182,727
Capital projects	-	-	-	-	158,749	-	158,749
Total disbursements	<u>1,099,427</u>	<u>167,601</u>	<u>-</u>	<u>182,727</u>	<u>158,749</u>	<u>55,165</u>	<u>1,663,669</u>
Excess (deficiency) of receipts over disbursements	<u>66,371</u>	<u>33,730</u>	<u>42,211</u>	<u>(131,796)</u>	<u>20,065</u>	<u>69,072</u>	<u>99,653</u>
Other financing sources (uses):							
Operating transfers in	31,272	-	-	52,250	180,446	-	263,968
Operating transfers out	(6,653)	(166,288)	(52,250)	(7,505)	(2,697)	(28,575)	(263,968)
Total other financing sources (uses)	<u>24,619</u>	<u>(166,288)</u>	<u>(52,250)</u>	<u>44,745</u>	<u>177,749</u>	<u>(28,575)</u>	<u>-</u>
Net change in cash balances	90,990	(132,558)	(10,039)	(87,051)	197,814	40,497	99,653
Cash balances beginning of year	<u>332,468</u>	<u>480,927</u>	<u>271,823</u>	<u>57,553</u>	<u>(308,307)</u>	<u>57,714</u>	<u>892,178</u>
Cash balances end of year	<u>\$ 423,458</u>	<u>\$ 348,369</u>	<u>\$ 261,784</u>	<u>\$ (29,498)</u>	<u>\$ (110,493)</u>	<u>\$ 98,211</u>	<u>\$ 991,831</u>

(Continued)

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B
 (Continued)

	<u>Special Revenue</u>						
	<u>General</u>	<u>Road</u>	<u>Tax</u>	<u>Debt</u>	<u>Capital</u>	<u>Non Major</u>	<u>Total</u>
		<u>Use</u>	<u>Increment</u>	<u>Service</u>	<u>Projects</u>		
			<u>Financing</u>				
Cash Basis Fund Balances							
Reserved for debt service	\$ -	\$ -	\$ -	\$ (29,498)	\$ -	\$ -	\$ (29,498)
Unreserved:							
General fund	423,458	-	-	-	-	-	423,458
Special revenue funds	-	348,369	261,784	-	-	98,211	708,364
Capital project fund	-	-	-	-	(110,493)	-	(110,493)
Total cash basis fund balances	<u>\$ 423,458</u>	<u>\$ 348,369</u>	<u>\$ 261,784</u>	<u>\$ (29,498)</u>	<u>\$ (110,493)</u>	<u>\$ 98,211</u>	<u>\$ 991,831</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Non-Major Utility Deposits</u>	<u>Total</u>
Operating Receipts:					
Use of money and property	\$ 150	\$ -	\$ -	\$ -	\$ 150
Charges for service	245,868	156,054	153,007	-	554,929
Miscellaneous	204	280	-	4,682	5,166
Total operating receipts	<u>246,222</u>	<u>156,334</u>	<u>153,007</u>	<u>4,682</u>	<u>560,245</u>
Operating Disbursements:					
Business type activities	<u>191,715</u>	<u>160,293</u>	<u>148,390</u>	<u>3,783</u>	<u>504,181</u>
Excess (deficiency) of operating receipts over operating disbursements	54,507	(3,959)	4,617	899	56,064
Non-operating receipts					
Intergovernmental	<u>-</u>	<u>18,953</u>	<u>-</u>	<u>-</u>	<u>18,953</u>
Excess of receipts over disbursements	<u>54,507</u>	<u>14,994</u>	<u>4,617</u>	<u>899</u>	<u>75,017</u>
Operating transfers in	-	1,349	-	-	1,349
Operating transfers out	<u>(1,349)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,349)</u>
	<u>(1,349)</u>	<u>1,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	53,158	16,343	4,617	899	75,017
Cash balances beginning of year	<u>330,950</u>	<u>294,934</u>	<u>67,277</u>	<u>11,398</u>	<u>704,559</u>
Cash balances end of year	<u>\$ 384,108</u>	<u>\$ 311,277</u>	<u>\$ 71,894</u>	<u>\$ 12,297</u>	<u>\$ 779,576</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 384,108</u>	<u>\$ 311,277</u>	<u>\$ 71,894</u>	<u>\$ 12,297</u>	<u>\$ 779,576</u>

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, general government, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission, and Ida County Landfill Commission during the year ended June 30, 2008, were \$252,979 and \$23,500, respectively.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies - (Continued)
B. Basis of Presentation - (Continued)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Garbage Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function.

2. Cash

The City's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3. Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 120,000	\$ 41,043
2010	130,000	36,212
2011	130,000	30,948
2012	100,000	25,683
2013	105,000	21,982
2014-2017	<u>470,000</u>	<u>46,280</u>
Total	<u>\$1,055,000</u>	<u>\$202,148</u>

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$25,434, \$23,457, and \$21,680 respectively, equal to the required contributions for each year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$19,986</u>

The liability has been computed based on rates of pay as of June 30, 2008.

6. Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2008, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency fund	\$28,575
	Capital Projects	<u>2,697</u>
		<u>31,272</u>

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. Inter-fund Transfers - (Continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ 7,505
	General	6,653
	Road Use	<u>166,288</u>
		<u>180,446</u>
Sewer	Water	1,349
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>52,250</u>
		<u>\$265,317</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. Operating Lease

The City leases two John Deere mowers. Rental expense incurred for this lease was \$4,300 for the year ended June 30, 2008. Minimum amounts payable under this operating lease are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2009	<u>\$4,300</u>

8. Commercial Development Revenue Bonds

Commercial Development Revenue Bonds were issued July 1, 1984, for \$575,000, under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the properties constructed and the bond principal and interest do not constitute liabilities of the City. The balance outstanding at June 30, 2008, was \$60,000.

9. Service Agreements

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$146,890 for the year ended June 30, 2008.

10. Hospital Revenue Notes

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa of which \$8,198,273 is outstanding at June 30, 2008. The bonds and related interest are payable solely from the revenue of the hospital and the bond principal and interest do not constitute liabilities of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

11. Construction Contracts and Commitments

The City has entered into the following contracts which were not completed as of June 30, 2008.

<u>Projects</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of 6-30-08</u>	<u>Remaining Commitment As of 6-30-08</u>
Library addition	\$175,111	\$ -	\$175,111
Park Lane extension	44,893	-	44,893
Engineering	19,100	14,737	4,363

The above costs will be paid from funds on hand.

12. Risk Management

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Deficit Fund Balance

The Debt Service Fund and the Capital Projects Funds, West Access, and Park Lane Extension had deficit balances of \$29,498, \$103,048, and \$8,493, respectively at June 30, 2008. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments and transfers from other funds.

14. Intergovernmental Agreement

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the County for compliance with these requirements have been estimated at \$500,278 according to the County's latest audit report available which was for the year ended June 30, 2007.

The County has begun to accumulate resources to fund these costs and, at June 30, 2007, assets of \$576,795 are restricted for these purposes.

15. Subsequent Events

Subsequent to June 30, 2008, the City received \$393,000 in connection with litigation against several gas and oil companies. The City had incurred costs for cleanup of groundwater and well contamination caused by an additive in the fuels. The City's wells became unusable and it became necessary to develop new wells as a result of this contamination. Also, effective July 1, 2009, the City will begin receiving local option sales tax. This tax is to be used 20% for property tax relief and 80% for capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 661,824	\$ -	\$ 661,824	\$ 658,375	\$ 658,375	\$ 3,449
Tax increment financing	42,211	-	42,211	42,127	42,127	84
Other city tax	67,633	-	67,633	63,011	63,011	4,622
Licenses and permits	7,979	-	7,979	8,050	8,050	(71)
Use of money and property	73,213	150	73,363	64,900	64,900	8,463
Intergovernmental	452,118	18,953	471,071	429,214	429,214	41,857
Charges for service	211,320	554,929	766,249	791,975	791,975	(25,726)
Special assessments	1,298	-	1,298	470	470	828
Miscellaneous	245,726	5,166	250,892	221,188	357,048	(106,156)
Total receipts	<u>1,763,322</u>	<u>579,198</u>	<u>2,342,520</u>	<u>2,279,310</u>	<u>2,415,170</u>	<u>(72,650)</u>
Disbursements:						
Public safety	306,781	-	306,781	324,494	340,551	33,770
Public works	420,950	-	420,950	520,837	571,437	150,487
Health and social services	7,464	-	7,464	10,100	10,100	2,636
Culture and recreation	373,495	-	373,495	388,468	393,868	20,373
General government	213,503	-	213,503	262,053	262,053	48,550
Debt service	182,727	-	182,727	50,840	88,240	(94,487)
Capital projects	158,749	-	158,749	5,729,317	5,729,317	5,570,568
Business type activities	-	504,181	504,181	613,964	646,689	142,508
Total disbursements	<u>1,663,669</u>	<u>504,181</u>	<u>2,167,850</u>	<u>7,900,073</u>	<u>8,042,255</u>	<u>5,874,405</u>
Excess (deficiency) of receipts over disbursements	99,653	75,017	174,670	(5,620,763)	(5,627,085)	5,801,755
Other financing sources, net	-	-	-	5,389,067	5,389,067	(5,389,067)
Balances, beginning of year	<u>892,178</u>	<u>704,559</u>	<u>1,596,737</u>	<u>753,565</u>	<u>753,565</u>	<u>843,172</u>
Balances, end of year	<u>\$ 991,831</u>	<u>\$ 779,576</u>	<u>\$ 1,771,407</u>	<u>\$ 521,869</u>	<u>\$ 515,547</u>	<u>\$ 1,255,860</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$142,182. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function.

SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Schedule 1

	<u>Special Revenue</u>			
	<u>Employee</u> <u>Benefits</u>	<u>Emergency</u> <u>Fund</u>	<u>FEMA</u> <u>Fund</u>	<u>Total</u>
Receipts:				
Property tax	\$ 58,283	\$ 14,707	\$ -	\$ 72,990
Other city tax	4,440	-	-	4,440
Intergovernmental	-	-	46,807	46,807
Total receipts	<u>62,723</u>	<u>14,707</u>	<u>46,807</u>	<u>124,237</u>
Disbursements:				
Operating:				
Public safety	830	-	-	830
Public works	32,650	-	-	32,650
Culture and recreation	6,239	-	-	6,239
General government	15,446	-	-	15,446
Total disbursements	<u>55,165</u>	<u>-</u>	<u>-</u>	<u>55,165</u>
Excess of receipts over disbursements	7,558	14,707	46,807	69,072
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(28,575)</u>	<u>-</u>	<u>(28,575)</u>
Net change in cash balances	7,558	(13,868)	46,807	40,497
Cash balances beginning of year	<u>43,139</u>	<u>14,575</u>	<u>-</u>	<u>57,714</u>
Cash balances end of year	<u>\$ 50,697</u>	<u>\$ 707</u>	<u>\$ 46,807</u>	<u>\$ 98,211</u>
Cash Basis Fund Balances				
Unreserved:				
Special Revenue	<u>\$ 50,697</u>	<u>\$ 707</u>	<u>\$ 46,807</u>	<u>\$ 98,211</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2008

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Hillcrest/Zoebel's 6th street improvements	May 1, 1998	4.50%	\$ 400,000	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ 2,250	\$ -
Airport improvement	October 11, 2000	5.00%	290,000	130,000	-	30,000	100,000	6,500	-
Corporate purpose	October 1, 2006	3.70-3.90%	1,010,000	1,010,000	-	55,000	955,000	38,077	-
				<u>\$ 1,190,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 1,055,000</u>	<u>\$ 46,827</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
BOND MATURITIES
JUNE 30, 2008

Schedule 3

General Obligations Bonds

Year Ending <u>June 30,</u>	Airport Improvement Issued <u>October 11, 2000</u>		Corporate Purpose Issued <u>October 1, 2006</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2009	5.00%	\$ 30,000	3.70%	\$ 90,000	\$ 120,000
2010	5.00	35,000	3.70	95,000	130,000
2011	5.00	35,000	3.70	95,000	130,000
2012		-	3.70	100,000	100,000
2013		-	3.75	105,000	105,000
2014		-	3.80	110,000	110,000
2015		-	3.80	115,000	115,000
2016		-	3.85	120,000	120,000
2017		-	3.90	125,000	125,000
		<u>\$ 100,000</u>		<u>\$ 955,000</u>	<u>\$ 1,055,000</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

Schedule 4

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:						
Property tax	\$ 701,960	\$ 635,260	\$ 603,344	\$ 537,045	\$ 542,175	\$ 485,730
Tax increment financing	42,211	4	34,908	99,718	96,850	183,235
Other city tax	27,497	60,731	44,748	41,729	38,314	40,097
Licenses and permits	7,979	7,921	6,870	9,008	6,369	2,190
Use of money and property	73,213	77,191	63,353	47,954	34,949	42,552
Intergovernmental	452,118	472,970	291,748	237,346	232,944	344,280
Charges for service	211,320	202,664	203,660	196,288	172,165	15,733
Special assessments	1,298	542	578	2,043	7,614	4,878
Miscellaneous	245,726	128,480	132,011	210,108	473,297	1,019,413
Total	<u>\$ 1,763,322</u>	<u>\$ 1,585,763</u>	<u>\$ 1,381,220</u>	<u>\$ 1,381,239</u>	<u>\$ 1,604,677</u>	<u>\$ 2,138,108</u>
Disbursements:						
Operating:						
Public safety	\$ 306,781	\$ 325,842	\$ 280,524	\$ 257,594	\$ 254,600	\$ 260,739
Public works	420,950	427,731	325,179	295,948	330,013	389,524
Health and social services	7,464	10,040	20,328	20,763	17,506	21,241
Culture and recreation	373,495	376,070	383,305	317,698	258,039	1,187,576
General government	213,503	218,002	188,092	180,540	173,439	161,296
Debt service	182,727	112,965	90,965	131,605	131,715	136,805
Capital projects	158,749	505,168	207,824	466,939	438,145	-
Total	<u>\$ 1,663,669</u>	<u>\$ 1,975,818</u>	<u>\$ 1,496,217</u>	<u>\$ 1,671,087</u>	<u>\$ 1,603,457</u>	<u>\$ 2,157,181</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Ida Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Ida Grove's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Ida Grove's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08 and I-C-08, are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ida Grove's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Ida Grove's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

February 12, 2009

Hungelman, Putzier & Co.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Our procedures have been under review during the transition to the new accounting system. Segregation of duties will be divided between the City Clerk, Deputy Clerk, and Administrative Assistant.

Conclusion - Response accepted.

I-B-08 Fire Department and Centennial Commission Funds - The Fire Department and Centennial Commission currently maintain bank accounts which are not included in the City's financial records. These do not appear to be separate non-profit corporations, but may be departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted.

Response - After reviewing this issue, management has uncovered organizations other than the Fire Department and the Centennial Commission Funds using the City's federal tax identification number on bank accounts. A meeting is planned between representatives of those organizations and the Mayor, City Clerk, and Auditor to explain the issues of using the City's federal identification number including the funds needing to be included in the City's financial records. For those organizations that are not city departments they will be given an option to get their own federal identification number.

Conclusion - Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

SIGNIFICANT DEFICIENCIES - (Continued)

- I-C-08 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - At the end of FY2008, the City of Ida Grove had a management change and is now under new management. The City Council is committed to providing the means for management to attend trainings and other opportunities to expand the knowledge base. In addition, the new accounting software requires training that will address preparation and interpretation of financial statements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Prior management did an amended budget for FY2008, but did not update debt service. New management will take the necessary steps to provide correct budget amendments in the future.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-08 Business Transactions - We noted no business transactions between the City and City officials or employees.

- II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting - (Continued)

II-J-08 Competitive Bidding - The Library board entered into a contract to construct a library addition without following the proper bidding requirement of Chapter 26.3 of the Code of Iowa.

Recommendation - The City should contact their legal counsel to determine the disposition of this matter.

Response - The Library board will not do that again.

Conclusion - Response accepted.